



//KHARA HAIS MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 JUNE 2010

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 41, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Mr WJB Engelbrecht
Municipal Manager

Date

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Annual Financial Statements For the Year Ended 30 June 2010

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STATEMENT OF FINANCIAL POSITION
at 30 June 2010

	Note	2010 R	2009 Restated R	2009 Audited R
ASSETS				
Non-current assets		173 666 814	161 308 845	213 968 631
Property, plant and equipment	1	173 661 935	161 263 999	213 923 785
Non-current receivables	2	4 879	44 846	44 846
Current assets		50 777 720	48 777 050	51 909 831
Inventory	3	3 795 971	4 119 244	4 225 439
Trade receivables	4	21 072 322	14 104 317	14 104 317
Other receivables	5	3 125 579	7 195 596	7 209 003
Short term investments	6	5 705 193	-	26 309 387
Cash and cash equivalents	7	17 065 913	23 344 486	61 685
Current portion of receivables	2	12 742	13 407	-
TOTAL ASSETS		224 444 534	210 085 895	265 878 462
NET ASSETS AND LIABILITIES				
Non-current liabilities		61 213 839	60 399 977	60 557 227
Non-current borrowings	8	58 729 806	57 826 153	57 826 153
Trust accounts	9	2 484 032	2 573 824	2 731 074
Current liabilities		43 252 081	37 790 356	41 095 666
Current portion of borrowings	8	3 652 953	2 565 505	2 565 505
Consumer deposits	10	4 619 726	3 898 074	3 898 074
Provisions	11	6 896 305	5 840 477	5 840 476
Trade and other payables	12	14 063 812	14 330 943	14 437 498
Unspent conditional grants and receipts	13	11 064 264	8 537 909	8 868 076
VAT payable	14	2 955 022	2 617 449	2 604 829
Bank Overdraft		-	-	2 881 208
Net assets		119 978 615	111 895 562	164 225 569
Reserves				
Accumulated surplus / (deficit)	15	119 978 615	111 895 562	164 225 569
TOTAL NET ASSETS AND LIABILITIES		224 444 534	210 085 895	265 878 462



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STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

	Note	2010 R	2010 Budget R	2009 Restated R	2009 Audited R
Revenue					
Property rates	16	35 997 340	36 471 963	32 242 399	31 958 662
Service charges	17	174 205 566	173 270 730	143 130 606	142 888 334
Rental of facilities and equipment		5 789 714	5 814 582	5 043 174	5 114 731
Interest earned - external investments		2 577 417	2 250 000	2 427 819	2 415 388
Interest earned - outstanding receivables		1 790 639	1 400 000	1 401 348	1 401 348
Fines		987 645	1 160 200	1 677 198	1 694 021
Licences and permits		1 195 127	1 180 329	1 418 038	1 466 010
Income for agency service		2 830 149	2 858 453	2 455 695	2 488 505
Employee housing		88 976	89 188	83 979	-
Government grants and subsidies	18	79 501 170	91 036 910	51 094 663	50 810 113
Other income	19	2 686 873	2 239 850	2 086 729	2 524 409
		307 650 614	317 772 205	243 061 648	242 761 521
Less: Revenue forgone		(1 027 132)	(1 051 821)	(56 979)	(113 979)
TOTAL REVENUE		306 623 483	316 720 384	243 004 669	242 647 542
Expenses					
Employee related costs	20	106 628 268	107 072 679	91 094 807	91 138 926
Remuneration of councillors	21	4 976 992	4 950 468	4 545 427	4 545 427
Bad debts		2 948 959	1 000 000	259 286	259 286
Collection cost		152 400	152 400	149 200	149 200
Depreciation and amortisation expense		15 781 409	5 500 000	13 549 504	13 236 866
Repairs and maintenance		8 503 656	10 100 868	8 097 591	5 153 754
Finance costs	22	6 597 398	7 383 505	6 070 030	6 070 029
Bulk purchases	23	62 455 752	62 650 000	47 557 257	47 536 313
Contracted services		5 119 065	6 870 505	13 707 468	15 365 821
Grants and subsidies paid	24	574 176	597 200	421 152	421 152
Operating projects	25	32 292 366	54 232 847	4 665 564	-
General expenses	26	52 429 841	56 274 571	47 571 662	53 451 242
TOTAL EXPENSES		298 460 283	316 785 043	237 688 947	237 328 016
Gain / (loss) on sale of assets		70 935	99 942	704 576	704 576
SURPLUS / (DEFICIT) FOR THE YEAR		8 234 134	35 283	6 020 297	6 024 102

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Statement of Changes in Net Assets for the Year Ended 30 June 2010

	Note	Revaluation Reserve	Accumulated Surplus / (Deficit)	Total
		R	R	R
2009				
Balance at 1 July 2008			151 646 806	151 646 806
Correction of Error (Prior Year)			5 099 990	
Corrections prior to 2007			1 388 719	1 388 719
Restated Balance		-	158 135 515	153 035 525
Surplus / (Deficit) for the Year			6 024 102	6 024 102
Transfer to CRR				-
Property, Plant & Equipment Purchased				-
Offsetting of Depreciation				-
Other Transfers			65 952	65 952
Balance at 30 June 2009		-	164 225 569	159 125 579
2010				
Correction of Error (Prior Year)			(3 805)	(3 805)
Corrections prior to 2008			(52 326 202)	(52 326 202)
Change in Accounting Policy				-
Restated Balance		-	111 895 562	106 795 572
Other Transfers (2009)			(151 082)	(151 082)
Surplus / (Deficit) for the Year			8 234 134	8 234 134
Property, Plant & Equipment Purchased				-
Offsetting of Depreciation				-
Balance at 30 June 2010		-	119 978 614.56	114 878 624.56

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Cash Flow Statement for the Year Ended 30 June 2010

	Note	2010 R	2009 R
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash Receipts from Ratepayers, Government and Other	27.1	301 732 711	235 290 785
Cash Paid to Suppliers and Employees	27.2	(274 631 932)	(208 748 491)
Cash Generated From / (Utilised in) Operations	27.3	27 100 780	26 542 294
Interest Received		4 368 056	3 829 167
Interest Paid		(6 597 398)	(6 070 030)
Net Cash From Operating Activities		24 871 437	24 301 432
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of Property, Plant and Equipment	27.4	(28 179 345)	(25 543 986)
Proceeds on Disposal of Property, Plant and Equipment	27.5	70 935	757 013
Decrease / (Increase) in Call Investment Deposits	27.6	(5 705 193)	-
Decrease / (Increase) in Non-Current Receivables	27.7	40 632	2 012
Net Cash From Investing Activities		(33 772 972)	(24 784 962)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
New Loans Raised / (Repaid)	27.8	1 991 101	36 772 011
Increase in Consumer Deposits		721 652	262 271
Increase / (Decrease) in Trust Accounts		(89 792)	701 630
Net Cash From Financing Activities		2 622 961	37 735 912
		(6 278 573)	37 252 382
Cash and cash equivalents at the beginning of the year		23 344 486	(13 907 896)
Cash and cash equivalents at the end of the year		17 065 913	23 344 486
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(6 278 573)	37 252 382

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Accounting Policies for the Annual Financial Statements For the Year Ended 30 June 2010

1 BASIS OF PRESENTATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP). These accounting policies are consistent with those of the previous financial year.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), and where no GRAP statements existed the following statements were used in order of the preference based on Directive 5 of the Accounting Standard Board (ASB).

- International Public Sector Accounting Standard Board (IPSASB)
- International Financial Reporting Standards (IFRS)
- International Accounting Standards (IAS)

National Treasury issued the gazettes listed below and they make it compulsory for all high capacity municipalities to apply to the following statements that should be complied with.

- General Notice 991 of 2005, issued in Government Gazette No. 28095 of 7 December 2005; and
- General Notice 992 of 2005, issued in Government Gazette No. 28095 of 15 December 2005.

The statements comprise of the following as set out in Appendix: 1 April 2009 of Directive 5 of the Accounting Standards Board:

Standard	Description	Applicable
GRAP 1	Presentation of Financial Statements	Yes
GRAP 2	Cash Flow Statements	Yes
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors	Yes
GRAP 4	The Effects of Changes in Foreign Exchange Rates	No
GRAP 5	Borrowing Costs	Yes
GRAP 6	Consolidated Financial Statements and Accounting for Controlled Entities	No
GRAP 7	Accounting for Investments in Associates	No
GRAP 8	Financial Reporting of Interests in Joint Ventures	No
GRAP 9	Revenue from Exchange Transactions	Yes
GRAP 10	Financial Reporting in Hyperinflationary Economics	No
GRAP 11	Accounting for Construction Contracts	No
GRAP 12	Inventories	Yes
GRAP 13	Leases	Yes
GRAP 14	Events After Reporting Date	Yes
GRAP 16	Investment Property	No
GRAP 17	Property, Plant and Equipment	Yes
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets	Yes
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations	No
GRAP 101	Agriculture	No
GRAP 102	Intangible Assets	Yes
IPSAS 20	Related Party Disclosures	Yes
IFRS 7 (AC 144)	Financial Instruments: Disclosures	Yes
IAS 19 (AC 116)	Employee Benefits	Yes
IAS 32 (AC 125)	Financial Instruments: Presentation	Yes
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement	Yes

This Municipality is a medium capacity municipality and attempted to comply with the standards set out above. The Municipality did not comply with all the standards and where the Municipality deviated from the applicable standards it was done based on Directive 4: Transitional Provisions for Medium and Low Capacity Municipalities issued by the Accounting Standards Board in March 2009.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board (SAICA).

2 USE OF ESTIMATES AND JUDGEMENTS

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice (GRAP) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period which the estimates are revised and in any future affected.

3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

5 RESERVES

5.1 Capital Replacement Reserve (Distributable Reserve)

A Capital Replacement Reserve (CRR) is established with surplus cash-backed funds from the accumulated surplus for the procurement of future items of property, plant and equipment to be financed from own funds.

5.2 Capitalisation Reserve (Non-Distributable Reserve)

When items of property, plant and equipment are financed from own funds (Capital Replacement Reserve), a transfer is made from the Capital Replacement Reserve to the Capitalisation Reserve equal to the amount utilised for the procurement of property, plant and equipment in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from own funds is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.3 Government Grant Reserve (Non-Distributable Reserve)

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.4 Donations and Public Contributions Reserve (Non-Distributable Reserve)

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment acquired comprises of its purchase price, including import duties and non-refundable taxes, and any directly attributable cost incurred in the acquisition, establishment and installation of such assets so as to bring them to working condition for their intended use.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. Land is recognised at historical cost.

The Municipality maintains and acquires assets to provide a social service to the community with no intention of disposing the assets for any economic gain and thus a residual value of R1 is determined.

Property, plant and equipment (excluding land) are depreciated to a R1 value. Where there are residual values these values are not material.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation of assets commence when the asset is ready for its intended use. The annual depreciation rates are based on the following estimated asset lives:-

Asset	Years	Asset	Years
Roads and Paving	30	Specialist vehicles	10
Pedestrian Malls	30	Other vehicles	5
Electricity	20 - 30	Office equipment	3 - 7
Water	15 - 20	Furniture and fittings	7 - 10
Sewerage	15 - 20	Watercraft	15
Community Buildings	30	Bins and containers	5
Community Centres	20 - 30	Specialised plant and equipment	10 - 15
Recreational Facilities	20 - 30	Other items of plant and equip	2 - 5
Security	5	Landfill sites	15

Buildings	30	Infrastructural assets	20 - 30
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Assets held under finance leases (if any) are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease if there is reasonably certainty that the Municipality will obtain ownership by the end of the lease term.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

7 INTANGIBLE ASSETS

Intangible assets are initially measured at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other subsequent expenditure is expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or infinite. Amortisation is charged to the Statement of Financial Performance on a straight-line basis over the estimated useful life of the asset. The estimated useful lives are as follows.

- Computer software 5 Years

Amortisation periods are assessed annually.

Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Such intangible assets are not amortised.

8 INVESTMENTS

8.1 Financial Instruments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Changes in the fair value of financial instruments that are designated and effective as cash flow hedges are recognised directly in the accumulated surpluses / (deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus / (deficit).

Changes in the fair value of financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise.

8.2 Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Municipality has the positive intention and ability to hold to maturity.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through surplus / (deficit) category are included in the Statement of Financial Performance in the period in which they arise.

9 INVENTORIES

Inventories include consumables stores, maintenance materials, spare parts for plant, equipment and land or property held for sale. Cost is determined by the weighted average method and comprises all costs of purchases, cost of development, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost or net realisable value.

When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when goods are distributed or related service is rendered.

The amount of any write-down of inventories and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any write-down of inventories, arising from an increase in the net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

10 ACCOUNTS RECEIVABLE

Consumer debtors, other debtors and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date - irrespective if arrangements with outstanding debtors have been made over a longer period - are classified as current. All amounts outstanding for more than 120 days will be deemed doubtful and are provided for as bad debt, except for schools and government debtors. Bad debt provision for 50% of all amounts outstanding for more than 120 days for schools are provided for based on the Writing-Off of Irrecoverable Debt Policy of Council. Bad debt provision for 20% of all amounts outstanding for more than 120 days for government debtors are provided for based on possible interest to be written-off.

11 ACCOUNTS PAYABLE

Consumer deposits, creditors and sundry creditors are stated at their nominal value and subsequently measured at amortised cost.

12 REVENUE RECOGNITION

12.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Revenue from the sale of pre-paid electricity and pre-paid water sales are recognised at the point of sale and not when prepaid electricity is consumed.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.

Service charges from sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

12.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

15 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are not subject to any significant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 COMPARATIVE INFORMATION

19.1 Budget comparatives:

Budgeted amounts have been included in the annual financial statements in the Statement of Financial Performance for two years and in the Appendices for the current financial year only.

19.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

20 LEASES

20.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

20.2 The Municipality as Lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. These assets are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

21 RETIREMENT BENEFITS

The municipality contribute to retirement benefit plans and after retirement contributions to medical aid funds.

21.1 Defined Benefit Plans

The defined benefit funds, which are administered by independent administrators, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

21.2 Defined Contribution Plans

The contributions to fund obligations for the payment of retirement benefits are charged to the Statement of Financial Performance in the same period as the related service is provided.

21.3 Post-Retirement Medical Benefits

The Municipality provides post-retirement medical benefits to ex-employees. These benefits are charged to the Statement of Financial Performance in the year of payment. The expected costs of these are accrued over the period of employment. Independent actuaries carry out valuations of these obligations.

The municipality offered employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the scheme.

22 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance in the period it incurred.

23 INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT

In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are provided from cash surpluses generated and transferred to the Capital Replacement Reserve (CRR).

24 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel of the municipality are those persons, directly and indirectly, having authority and responsibility for planning, directing and controlling the activities of the Municipality. Key management is defined as the Municipal Manager, Chief Financial Officer and all other Section 57 managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Any services rendered to and payments made to key management personnel and councillors other than their monthly remuneration will be disclosed appropriate.

25 VALUE ADDED TAX

The Municipality accounts for value added taxation on a cash basis.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

1 PROPERTY, PLANT AND EQUIPMENT

30 June 2010 Reconciliation of Carrying Value	Land and Buildings R	Infra- structure R	Community R	Heritage R	Other R	Total R
Carrying Values at 1 July 2009	4 273 672	132 130 763	6 685 494	247 558	17 926 512	161 263 999
Cost	34 935 875	265 667 860	74 347 925	258 677	69 657 019	444 867 356
Accumulated Depreciation	(30 662 203)	(133 537 097)	(67 662 430)	(11 119)	(51 730 507)	(283 603 357)
Acquisitions	547 201	13 355 662	833 409	-	13 447 614	28 183 886
Capital Under Construction	-	-	-	-	-	-
Depreciation	(148 066)	(8 947 597)	(315 926)	-	(6 369 821)	(15 781 409)
Transfers	-	(6 139)	1 599	-	-	(4 540)
Carrying Value of Disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
Carrying Values at 30 June 2010	4 672 806	136 532 690	7 204 576	247 558	25 004 305	173 661 935
Cost	35 483 076	279 017 383	75 182 932	258 677	83 104 633	473 046 702
Accumulated Depreciation	(30 810 270)	(142 484 694)	(67 978 356)	(11 119)	(58 100 328)	(299 384 766)

30 June 2009 Reconciliation of Carrying Value	Land and Buildings R	Infra- structure R	Community R	Heritage R	Other R	Total R
Carrying Values at 1 July 2008	4 273 672	114 650 700	6 574 272	247 558	22 564 472	148 310 674
Cost	34 935 875	240 704 133	73 966 305	253 414	69 411 206	419 270 932
Accumulated Depreciation	(30 662 203)	(126 053 432)	(67 392 033)	(5 855)	(46 846 733)	(270 960 258)
Acquisitions	-	24 932 920	381 620	5 263	224 183	25 543 986
Capital Under Construction	-	-	-	-	-	-
Depreciation	-	(7 483 665)	(270 397)	(5 263)	(4 883 774)	(12 643 099)
Carrying Value of Disposals	-	-	-	-	52 438	52 438
Cost	-	-	-	-	52 438	52 438
Accumulated Depreciation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
Carrying Values at 30 June 2009	4 273 672	132 099 956	6 685 494	247 558	17 957 320	161 263 999
Cost	34 935 875	265 637 053	74 347 925	258 677	69 687 827	444 867 356
Accumulated Depreciation	(30 662 203)	(133 537 097)	(67 662 430)	(11 119)	(51 730 507)	(283 603 357)

The Municipality records all PPE at cost and all PPE are classified in terms of the prescribed asset classes. According to Directive no. 4 issued by the ASB in March 2009 the Municipality is exempted until 30 June 2011 to disclose PPE at fair value. The fair value exercise is an unaffordable and costly exercise that should be funded through National Treasury who prescribed the implementation of the accounting standard.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R	
2	NON-CURRENT RECEIVABLES			
	Sundry Loans	17 621	84 237	
	Less : Provision for Bad Debt	-	(25 984)	
	Less: Current portion transferred to current assets	(12 742)	(13 407)	
	Total	4 879	44 846	
3	INVENTORY			
	Consumable Stores – at Cost	3 634 745	3 986 968	
	Unsold water - at Cost	161 226	132 276	
		3 795 971	4 119 244	
	<i>Inventory to the amount of R 1,012,450 have been written-off during the year under review. These losses are attributed to inadequate stock taking measures in previous past years.</i>			
	<i>Included in consumable stock, is slow moving stock amounting to R 923,606. Management is in a process to do impairment tests on this items with the assistance of the technical departments.</i>			
	<i>The value and quantity of unsold water at year-end was calculated on a management estimate based on the % of the capacity of the water storage facilities and the cost per kl water purified during the financial year.</i>			
4	TRADE RECEIVABLES			
		Gross Balances	Provision for Bad Debts	Net Balance
		R	R	R
	As at 30 June 2010			
	Service Debtors			
	Rates	2 965 584	667 574	2 298 011
	Electricity	7 872 242	1 234 823	6 637 419
	Water	5 546 970	1 701 481	3 845 489
	Sewerage	3 075 187	1 056 292	2 018 896
	Refuse	2 926 147	1 277 380	1 648 767
	Other	3 494 289	2 528 650	965 639
	Vat	2 933 668	760 030	2 173 639
	Accounts handed over for collection	11 411 110	11 411 110	-
	Sub-Total	40 225 199	20 637 339	19 587 860
	Amounts received in advance	1 484 463	-	1 484 463
	Total	41 709 661	20 637 339	21 072 322
	As at 30 June 2009			
	Service Debtors			
	Rates	2 233 163	929 637	1 303 526
	Electricity	5 391 287	2 244 324	3 146 963
	Water	4 347 478	1 809 799	2 537 679
	Sewerage	2 442 202	1 016 657	1 425 545
	Refuse	2 046 134	851 779	1 194 355
	Other	2 954 689	1 229 999	1 724 690
	Vat	2 138 451	-	2 138 451
	Accounts handed over for collection	12 035 082	12 035 082	-
	Sub-Total	33 588 486	20 117 277	13 471 209
	Amounts received in advance	633 109	-	633 109
	Total	34 221 595	20 117 277	14 104 318

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
	<u>Rates & Services</u>		
	Current (0 – 30 days)	14 571 105	10 309 540
	31 - 60 Days	1 622 280	1 819 686
	61 - 90 Days	1 436 712	1 152 215
	91 - 120 Days	1 000 933	873 354
	More than 120 days	23 078 632	20 066 800
	Total	41 709 661	34 221 595
5	OTHER RECEIVABLES		
	Sundry Debtors	139 981	1 046 166
	SARS VAT Claim	1 998 265	3 432 911
	Monies Receivable at Year End (Department of Health)	987 334	3 963 010
		3 125 579	8 442 087
	Less amounts received in advance	-	(19 712)
	Less provision for bad debt	-	(1 226 779)
		3 125 579	7 195 596
6	SHORT TERM INVESTMENTS		
	Total short-term Investments	26 241 440	26 164 010
	Less: Investments qualifying as Cash and Cash Equivalents	(20 536 247)	(26 164 010)
		5 705 193	-
	Investments with a maturity term of less than 3 months (90 days) are disclosed as cash and cash equivalents.		
	It is council policy to invest surplus cash for periods not exceeding 12 months.		
	Investments to the amount of R 2,119,748 are ring-fenced specifically for employee trust accounts. Refer to note 9 for Employee benefits in trust		
7	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
	Cashier's Float	3 660	3 560
	Petty Cash	2 000	465
	Investments qualifying as Cash and Cash Equivalents	20 536 247	26 164 010
	Bank overdraft - ABSA Bank (Account 22-4000-0051)	(3 772 523)	(2 881 208)
	Bank Account - FNB Bank (Account 540-2371-0831)	296 529	57 659
	Total Cash and Cash Equivalents	17 065 913	23 344 486

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
	<u>Current Account (Primary Bank Account)</u> <i>ABSA Bank Limited - Upton Branch: Account Number 22-4000-0051</i>		
	Cash Book Balance at Beginning of Year – Overdrawn	<u>(2 881 208)</u>	<u>(2 541 156)</u>
	Cash Book Balance at End of Year - Overdrawn	<u>(3 772 523)</u>	<u>(2 881 208)</u>
	Bank Statement Balance at Beginning of Year - (Overdrawn)	<u>2 861 950</u>	<u>(3 027 271)</u>
	Bank Statement Balance at End of Year	<u>10 893 201</u>	<u>2 861 950</u>
	<u>Current Account (Capital Replacement Reserve)</u> <i>FNB Bank Limited - Upton Branch: Account Number 540-2371-0831</i>		
	Cash book balance at beginning of year	<u>57 660</u>	<u>(5 778 379)</u>
	Cash book balance at end of year	<u>296 529</u>	<u>57 660</u>
	Bank statement balance at beginning of year	<u>57 659</u>	<u>(3 450 567)</u>
	Bank statement balance at end of year	<u>207 412</u>	<u>57 659</u>
8	NON-CURRENT BURROWINGS		
	Annuity Loans	62 382 759	60 391 658
	Less : Current portion transferred to current liabilities	<u>(3 652 953)</u>	<u>(2 565 505)</u>
	Total External Loans	<u>58 729 806</u>	<u>57 826 153</u>
	<i>(Refer to Appendix A for more detail on long-term liabilities)</i>		
9	TRUST ACCOUNTS		
	Gordonia Fund	364 284	364 284
	Employee Benefit Trust Accounts	<u>2 119 748</u>	<u>2 209 540</u>
	Total Trust Accounts	<u>2 484 032</u>	<u>2 573 824</u>
	Gordonia Fund		
	Balance at Beginning and end of the year	<u>364 284</u>	<u>364 284</u>
	Employee Benefit Trust Accounts		
	Balance at Beginning of Year	2 209 540	1 507 910
	Received	-	863 720
	Capital Withdraw	(168 100)	(204 093)
	Interest Received	135 548	149 167
	Interest Withdraw	<u>(57 240)</u>	<u>(107 164)</u>
	Balance at End of Year	<u>2 119 748</u>	<u>2 209 540</u>
	<i>(Employee benefit trust accounts are kept in trust for beneficiaries of deceased employees. These amounts are invested in separate investment accounts and utilised in terms of the stipulations of the curator of the estate).</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
10	CONSUMER DEPOSITS		
	Electricity and Water	4 266 957	3 527 588
	Sundry	352 768	370 486
	Total Consumer Deposits	4 619 726	3 898 074
	Guarantees Held In Lieu of Electricity and Water Deposits	130 170	130 010
	<i>Council's policy do not allow for the payment of interest on the deposits held by the municipality.</i>		
11	PROVISIONS		
	Performance Bonusses	1 340 252	1 421 213
	Leave Provision	5 397 310	4 214 894
	Long service leave provision	158 743	204 370
	Total Provisions	6 896 305	5 840 477
	Performance bonuses		
	Balance beginning of the period	1 421 213	654 116
	Performance bonuses paid	(382 247)	-
	Contributions	301 285	767 097
	Balance at the end of the period	1 340 252	1 421 213
	Provisions for the payment of performance bonuses to the Municipal manager and Section 57 appointments based on management estimate of 10% of packages.		
	Leave provision		
	Balance beginning of the period	4 214 894	3 419 286
	Leave payments	(1 096 853)	(1 699 297)
	Contributions	2 279 270	2 494 905
	Balance at the end of the period	5 397 310	4 214 894
	Long service leave provision		
	Balance beginning of the period	204 370	362 727
	Leave payments	(45 627)	(158 357)
	Contributions	-	-
	Balance at the end of the period	158 743	204 370
	Provision for leave values due to employees is calculated in terms of the standard conditions of employment. Provision for long service leave values due to employees is calculated in terms of councils policy.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
12	TRADE AND OTHER PAYABLES		
	Trade Creditors	9 384 532	10 648 159
	Payments Received in Advance	1 484 463	652 821
	Retentions	1 714 530	1 941 677
	Un-Identified Deposits	1 314 988	955 490
	Other Creditors	165 299	132 796
		<u>14 063 812</u>	<u>14 330 943</u>
13	UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
13.1	Conditional Grants From Other Spheres of Government	11 064 264	8 537 908
	Housing	(4 549 047)	2 438 828
	INEP	344 538	(330 167)
	FMG	165 070	114 499
	MSIG	1 057 914	204 806
	Provincial grants	11 372 525	1 044 597
	MIG	635 583	1 239 267
	Other	340 182	1 295 892
	Provincial LED Projects	1 556 465	973 721
	EPWP	141 033	1 556 465
	Total Conditional Grants and Receipts	<u>11 064 264</u>	<u>8 537 908</u>
	<i>See Note 18 for reconciliation of grants from other spheres of government. Some of these amounts are invested in a ring-fenced investment until utilised.</i>		
14	VAT		
	VAT Payable	<u>2 955 022</u>	<u>2 617 449</u>
	<i>VAT is payable on the cash basis. Only once payment is received from debtors is VAT paid over to SARS and claimed from SARS when actual payment of creditors are done.</i>		
15	ACCUMULATED SURPLUS		
	Accumulated surplus / (deficit)	119 978 615	111 895 562
		<u>119 978 615</u>	<u>111 895 562</u>

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
16	PROPERTY RATES		
	General Rates	35 997 340	26 936 499
	Residential & Commercial	32 463 929	24 831 704
	Agricultural	1 194 354	162 732
	State	2 339 057	1 942 063
	Health Tax	-	5 305 900
	Residential & Commercial	-	5 022 162
	State	-	283 738
	Total Assessment Rates	35 997 340	32 242 399
	<u>Valuations</u>	<u>30/06/2010 R000's</u>	<u>30/06/2009 R000's</u>
	Residential & Commercial	3 577 520 060	1 339 055 907
	Agricultural	468 374 300	14 877 800
	State	229 319 300	97 580 970
	Non Rateable	186 378 000	70 718 790
	Total Property Valuations	4 461 591 660	1 522 233 467
	<i>Valuations on land and buildings are performed every four years. The general valuation came into effect on 1 July 2009. A general rate of R0.01020 (2008/2009 = 2,499c in the Rand and health tax rate of 0,416c in the Rand) were applied to property valuations to determine assessment rates. Rebates of 20% were granted to state property owners until 30 June 2009. Rates are levied on an annual or monthly basis on properties depending on the choice made by the property owner. The final date of payment for annually levied rates was 31 October 2009 and monthly levied by the 15th of the following month. Interest levied on outstanding rates.</i>		
17	SERVICE CHARGES		
	Sale of Electricity	108 098 835	84 355 614
	Sale of Water	34 311 969	30 526 125
	Refuse Removal	12 549 214	11 120 668
	Sewerage and Sanitation Charges	19 044 159	16 989 546
	Other Services	201 389	138 653
		174 205 566	143 130 606
18	GOVERNMENT GRANTS AND SUBSIDIES		
	Equitable Share	31 858 878	26 552 388
	Health Subsidy	1 102 000	1 061 000
	SETA Training Subsidy	384 203	318 470
	Housing Grants	34 224 758	4 906 414
	Health grant (Electrical Connection)	2 014 222	3 150 433
	INEP	377 832	1 578 729
	Provincial	1 162 915	320 929
	MIG	5 782 742	10 226 789
	MSIG	794 737	1 508 525
	Provincial LED Projects	167 874	61 836
	FMG	769 961	1 064 716
	Other Conditional Grants	861 047	344 434
	Total Government Grants and Subsidies	79 501 170	51 094 663

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
18.1	<i>Equitable Share, Health and SETA Subsidies</i> <i>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy to a maximum of R 208.46, which is funded from this grant.</i> <i>The Health, SETA and other subsidies are utilised to finance the operations of the specific departments of the municipality.</i>		
18.2	<i>Housing Grants</i> Balance unspent at beginning of year Current year receipts - Other transfers Conditions met - transferred to revenue Conditions still to be met - transferred to liabilities (see Note 13)	 2 438 828 26 771 218 465 665 (34 224 758) (4 549 047)	 3 231 991 4 190 648 (77 397) (4 906 414) 2 438 828
	<i>The Municipality administer the housing projects on behalf of the Department of Housing. Funding claim to be submitted to the Department of Housing for overspending.</i>		
18.3	<i>Health grant (Electrical Connection)</i> Balance unspent at beginning of year Current year receipts - Other transfers Conditions met - transferred to revenue Conditions still to be met - transferred to liabilities (see Note 13)	 - 2 155 256 - (2 014 222) 141 033	 - 848 620 2 301 813 (3 150 433) -
18.4	<i>INEP Grant</i> Balance unspent at beginning of year Current year receipts - Other transfers Conditions met - transferred to revenue Conditions still to be met - transferred to liabilities (see Note 13)	 (330 168) 708 000 - (377 832) -	 - 1 248 561 - (1 578 729) (330 168)
18.5	<i>Provincial Grants</i> Balance unspent at beginning of year Current year receipts Conditions met - transferred to revenue Conditions still to be met - transferred to liabilities (see Note 13)	 1 044 597 1 176 232 (1 162 915) 1 057 914	 906 526 459 000 (320 929) 1 044 597
	<i>The grant was utilised for the upgrading of library infrastructure and equipment as well as operating expenditure.</i>		
18.6	<i>MIG</i> Balance unspent at beginning of year Current year receipts Other transfers Conditions met - transferred to revenue Conditions still to be met - transferred to liabilities (see Note 13)	 1 239 267 15 916 000 - (5 782 742) 11 372 525	 2 140 056 9 326 000 - (10 226 789) 1 239 267
	<i>The Municipal infrastructure grant is utilised for the construction of infrastructure in terms of the conditions of the grant. Due to critical vacant position within the Technical department, all MIG-projects could not be completed.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
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//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
18.7	MSIG		
	Balance unspent at beginning of year	204 807	978 332
	Current year receipts -	755 000	735 000
	Conditions met - transferred to revenue	(794 737)	(1 508 525)
	Conditions still to be met - transferred to liabilities (see Note 13)	165 070	204 807
18.8	Provincial LED Projects		
	Balance unspent at beginning of year	973 721	1 035 557
	Current year receipts	-	-
	Adjustments directly against grant account	(465 665)	-
	Conditions met - transferred to revenue	(167 874)	(61 836)
	Conditions still to be met - transferred to liabilities (see Note 13)	340 182	973 721
	<i>Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Council General vote in Appendix D). No funds have been withheld.</i>		
18.9	FMG		
	Balance unspent at beginning of year	114 499	679 215
	Current year receipts	1 000 000	500 000
	Conditions met - transferred to revenue	(769 961)	(1 064 716)
	Conditions still to be met - transferred to liabilities (see Note 13)	344 538	114 499
18.10	Other		
	Balance unspent at beginning of year	1 295 892	1 397 671
	Current year receipts	200 738	392 655
	Other transfers	-	(150 000)
	Conditions met - transferred to revenue	(861 047)	(344 434)
	Conditions still to be met - transferred to liabilities (see Note 13)	635 583	1 295 892
18.11	EPWP		
	Balance unspent at beginning of year	1 556 465	1 721 863
	Current year receipts	-	-
	Other transfers	-	-
	Conditions met - transferred to revenue	-	(165 398)
	Conditions still to be met - transferred to liabilities (see Note 13)	1 556 465	1 556 465
19	OTHER INCOME		
	Commission	262 103	236 343
	Insurance Claims	382 007	221 402
	Plan fees	295 686	259 396
	Other	1 747 077	1 369 587
	Total Other Income	2 686 873	2 086 729

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
20	EMPLOYEE RELATED COSTS		
	Employee Related Costs - Salaries and Wages	80 411 505	66 405 868
	Employee Related Costs - Contributions for UIF, Pension and Medical Aid Funds	18 519 127	17 824 236
	Housing Benefits and Allowances	449 021	630 217
	Overtime Payments	6 725 969	5 286 097
	Performance Bonus	301 285	767 097
	Long-Service Awards	221 361	181 291
	Total Employee Related Costs	106 628 268	91 094 807
	<i>There were no advances to employees.</i>		
20.1	Remuneration of the Municipal Manager		
	Annual Remuneration	713 400	584 700
	Car Allowance	144 084	126 075
	Contributions to Pension, Group Life & Medical Aid Funds	12 841	10 525
	Performance Bonuses	-	-
	Total	870 325	721 300
20.2	Remuneration of the Chief Financial Officer		
	Annual Remuneration	529 200	446 400
	Car Allowance	115 432	105 454
	Contributions to Pension, Group Life & Medical Aid Funds	138 720	119 346
	Total	783 352	671 200
20.3	Remuneration of the Director Technical Services		
	Annual Remuneration	46 994	-
	Car Allowance	6 484	-
	Contributions to Pension, Group Life & Medical Aid Funds	11 791	-
	Total	65 269	-
	<i>This position was only filled for 1 month in the 2009/2010 financial year.</i>		
20.4	Remuneration of the Director Corporate Services		
	Annual Remuneration	500 990	437 160
	Car Allowance	119 671	108 000
	Contributions to Pension, Group Life & Medical Aid Funds	9 305	-
	Leave Gratuity	96 898	-
	Total	726 863	545 160
20.5	Remuneration of the Director Development Services		
	Annual Remuneration	556 844	491 856
	Car Allowance	107 440	96 000
	Total	664 284	587 856

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
21	REMUNERATION OF COUNCILLORS		
	Mayor	514 975	486 772
	Speaker	431 663	389 511
	Executive Committee Members	931 857	895 740
	Councillors	2 840 442	2 560 058
	Councillors' Pension / Medical Aid Contribution	258 055	213 345
	Total Councillors' Remuneration	4 976 992	4 545 427
	<i>In-kind Benefits</i>		
	<i>The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.</i>		
	<i>The Mayor has use of a Council owned vehicle for official duties.</i>		
	<i>I certify that the salaries, allowances and benefits of councillors as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution, read together with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.</i>		
	_____ Mr WJB Engelbrecht Municipal Manager	_____ Date	
22	FINANCE COSTS		
	Non-current borrowings	6 597 398	6 070 030
		6 597 398	6 070 030
23	BULK PURCHASES		
	Electricity	60 330 319	45 120 944
	Water	2 125 433	2 436 313
		62 455 752	47 557 257
24	GRANTS AND SUBSIDIES PAID		
	Donations	328 423	230 150
	Bursaries & Other	245 753	191 003
		574 176	421 152
25	OPERATING PROJECTS		
	Construction of toilets	-	657 057
	Housing	32 028 281	3 555 872
	Other	264 086	452 634
		32 292 366	4 665 564

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
26	GENERAL EXPENDITURE		
	<i>General Expenditure Includes the Following</i>		
	Insurance Cost	1 623 441	1 535 153
	Indigent subsidies paid	12 493 760	14 508 206
	Telephone Cost	2 622 683	2 195 987
	Advertisements	483 894	350 569
	Bank Charges	494 011	424 697
	Consumables & Parts	4 434 533	3 548 681
	Training	1 679 768	1 546 170
	Printing & Stationery	1 202 384	1 039 543
	Municipal Consumption (Electricity & Water)	8 304 964	5 602 423
	Fuel	3 854 827	4 101 170
	Other General Cost	15 235 577	12 719 064
	Inter Departmental Charges	30 024 304	21 845 885
		82 454 146	69 417 547
	Less: Internal Cost Recovered	(30 024 304)	(21 845 885)
		52 429 841	47 571 662
27	CASH-FLOW STATEMENT		
27.1	CASH RECEIPTS FROM RATEPAYERS, GOVERNMENT AND OTHER		
	Total revenue	306 694 417	243 709 244
	<i>Adjustment for:-</i>	-	-
	Interest earned - External investments	(2 577 417)	(2 427 819)
	Interest earned - Outstanding debtors	(1 790 639)	(1 401 348)
	Gain on disposal of property, plant and equipment	(70 935)	(704 576)
	Bad debts	2 948 959	259 286
	Operating Surplus Before Working Capital Changes	305 204 386	239 434 787
	(Increase) / Decrease in Consumer Debtors (Note 27.9)	(10 068 047)	(1 576 495)
	(Increase) / Decrease in Other Debtors	4 070 017	(6 120 811)
	Increase / (Decrease) in unspent grants	2 526 355	3 553 303
		301 732 711	235 290 785
27.2	CASH PAID TO SUPPLIERS AND EMPLOYEES		
	Total expenditure	(298 460 283)	(237 688 947)
	<i>Adjustment for:-</i>	-	-
	Depreciation	15 781 409	13 549 504
	Interest paid	6 597 398	6 070 030
	Contribution to non-current provisions	1 055 828	1 404 348
	Operating Surplus Before Working Capital Changes	(275 025 647)	(216 665 066)
	(Increase) / Decrease in Inventories	323 273	(331 602)
	Increase / (Decrease) in Creditors	(267 131)	5 077 708
	Increase / (Decrease) in VAT	337 573	3 170 469
		(274 631 932)	(208 748 491)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
27.3	CASH GENERATED FROM OPERATIONS		
	Surplus for the year	8 234 134	6 020 297
	Adjustment for:-	-	-
	Interest earned - External investments	(2 577 417)	(2 427 819)
	Interest earned - Outstanding debtors	(1 790 639)	(1 401 348)
	Gain on disposal of property, plant and equipment	(70 935)	(704 576)
	Bad debts	2 948 959	259 286
	Depreciation	15 781 409	13 549 504
	Finance costs	6 597 398	6 070 030
	Contribution to provisions	1 055 828	1 404 348
	Operating Surplus Before Working Capital Changes	30 178 739	22 769 721
	(Increase) / Decrease in Consumer Debtors (Note 27.9)	(10 068 047)	(1 576 495)
	(Increase) / Decrease in Other Debtors	4 070 017	(6 120 811)
	Increase / (Decrease) in unspent grants	2 526 355	3 553 303
	(Increase) / Decrease in Inventories	323 273	(331 602)
	Increase / (Decrease) in Creditors	(267 131)	5 077 708
	Increase / (Decrease) in VAT	337 573	3 170 469
		27 100 780	26 542 294
27.4	PURCHASE OF PROPERTY, PLANT AND EQUIPMENT		
	Property, plant and equipment at 30 June 2010	173 661 935	161 263 999
	Carrying value of property, plant and equipment disposed	-	(52 438)
	Depreciation	15 781 409	12 643 099
	Property, plant and equipment at 30 June 2009	(161 263 999)	(148 310 674)
		28 179 345	25 543 986
27.5	PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
	Carrying value of property, plant and equipment disposed	-	52 438
	Gain on disposal of property, plant and equipment	70 935	704 576
		70 935	757 013
27.6	(INCREASE) / DECREASE IN SHORT TERM INVESTMENTS		
	Short term investment at 30 June 2010	5 705 193	-
	Short term investment at 30 June 2009	-	-
		5 705 193	-

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
27.7	(INCREASE) / DECREASE IN NON-CURRENT RECEIVABLES		
	Non-current receivables at 30 June 2010	4 879	44 846
	Provision for bad debt - Non-current receivables	-	25 984
	Current portion of non-current receivables	12 742	13 407
		<u>17 621</u>	<u>84 237</u>
		(58 253)	(82 225)
	Non-current receivables at 30 June 2009	(44 846)	(82 225)
	Current portion of non-current receivables	(13 407)	-
		<u>(40 632)</u>	<u>2 012</u>
27.8	INCREASE / (DECREASE) IN NON-CURRENT BURROWINGS		
	Non-current borrowings at 30 June 2010	58 729 806	57 826 153
	Current portion of non-current borrowings	3 652 953	2 565 505
		<u>62 382 759</u>	<u>60 391 658</u>
		60 391 658	23 619 647
	Non-current borrowings at 30 June 2009	57 826 153	23 619 647
	Current portion of non-current borrowings	2 565 505	-
		<u>1 991 101</u>	<u>36 772 011</u>
27.9	INCREASE/ (DECREASE) IN TRADE RECEIVABLES		
	Trade receivables at 30 June 2010	21 072 322	14 104 317
	Bad debt	2 948 959	259 286
	Adjustment	151 082	-
	Trade receivables at 30 June 2009	(14 104 317)	(12 787 108)
		<u>10 068 047</u>	<u>1 576 495</u>
28	CORRECTION OF ERROR (Prior year adjustments)		
28.1	Adjustment to Property, plant and equipment		
	Amount Previously Stated	213 923 785	201 083 406
	Depreciation of Community assets	(52 659 786)	-
	Correction for retention		43 131
	Depreciation of ssets with value below R 5,000		(475 526)
	VAT Adjustments		6 810
	Restated balance	<u>161 263 999</u>	<u>200 657 821</u>
28.2	Adjustment to Inventory		
	Amount Previously Stated	4 225 439	3 746 982
	Unsold water now disclosed as inventory	-	100 100
	Stock adjustments	(106 195)	(59 440)
	Restated balance	<u>4 119 244</u>	<u>3 787 642</u>

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
28.3	<i>Adjustment to Investments</i>		
	Amount Previously Stated	26 309 387	
	Stock adjustments	(145 377)	
	Restated balance	26 164 010	
28.4	<i>Adjustment to Trust accounts</i>		
	Amount Previously Stated	2 731 074	
	Correction of trust accounts	(157 250)	
	Restated balance	2 573 824	
28.5	<i>Adjustments to Creditors</i>		
	Amount Previously stated	14 437 498	23 339 889
	Correction of creditor accounts	(106 555)	
	Cheques now disclosed as part of cash and bank	-	(8 519 431)
	Accrual for bulk services done in the incorrect Financial Year	-	(3 504 566)
		14 330 943	11 315 892
28.6	<i>Adjustment to Unspent Conditional Grants</i>		
	Amount Previously Stated	8 868 076	
	Conditional grant from INEP was disclosed as direct revenue	(330 167)	
	Restated balance	8 537 909	
28.7	<i>Adjustment to Potential Vat</i>		
	Amount Previously Stated	2 604 829	(1 847 502)
	Correction of VAT on creditors	12 620	2 400 522
	Restated balance	2 617 449	553 020
28.8	<i>Adjustment to Other Debtors</i>		
	Amount Previously Stated		1 536 294
	Adjustments		90 783
	Restated balance	-	1 627 077
28.9	<i>Adjustment to Long term debtors</i>		
	Amount Previously Stated		95 425
	Adjustments		(13 200)
	Restated balance	-	82 225
28.10	<i>Adjustment to Cash and Bank Balances</i>		
	Amount Previously Stated		2 149 008
	Previously disclosed as part of creditors		(8 519 431)
	Restated balance	-	(6 370 423)
28.11	<i>Adjustments to Provisions</i>		
	Amount Previously stated		(3 696 611)
	Provision for performance bonuses now included		(739 518)
		-	(4 436 129)
28.12	<i>Adjustments to Consumer & Sundry deposits</i>		
	Amount Previously stated		(3 877 564)
	Correction due to Data Cleansing		241 762
		-	(3 635 802)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
28.13	Impact on Distributable Reserves		
	Amount Previously stated	164 225 569	151 646 806
	Corrections as detailed above	<u>(52 326 202)</u>	<u>5 099 990</u>
		<u>111 899 367</u>	<u>156 746 796</u>
29	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-Term Liabilities	62 382 760	60 391 658
	Carrying value of assets funded	<u>(58 102 959)</u>	<u>(58 914 136)</u>
		<u>4 279 801</u>	<u>1 477 522</u>
	<i>Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. All available cash from external loans has been used to finance PPE.</i>		
30	ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
30.1	Contributions to Organised Local Government		
	Opening Balance	539 826	105 792
	Council Subscriptions	589 372	947 242
	Amount Paid - Current Year	<u>(617 060)</u>	<u>(513 208)</u>
	Balance Unpaid (Included in Creditors)	<u>512 138</u>	<u>539 826</u>
30.2	Audit Fees		
	Opening Balance	44 340	-
	Current Year Audit Fees	1 478 344	1 447 139
	Amount Paid - Current Year C00238	<u>(1 522 684)</u>	<u>(1 402 799)</u>
	Balance Unpaid (Included in Creditors)	<u>-</u>	<u>44 340</u>
30.3	VAT		
	VAT input receivables and VAT output receivables are shown in Note 14. All VAT returns have been submitted by the due date throughout the year.		
30.4	PAYE		
	Opening Balance	17 839	8 728
	Current Year Payroll Deductions	8 817 676	7 260 724
	Amount Paid - Current Year	<u>(8 835 515)</u>	<u>(7 251 613)</u>
	Balance Unpaid (Included in Creditors)	<u>-</u>	<u>17 839</u>
30.5	Pension and Medical Aid Deductions		
	Opening Balance	-	-
	Current Year Payroll Deductions and Council Contributions	25 049 135	37 418 028
	Amount Paid - Current Year	<u>(25 049 135)</u>	<u>(37 418 028)</u>
	Balance Unpaid (Included in Creditors)	<u>-</u>	<u>-</u>

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
30.6	UIF Payments		
	Opening Balance	6 331	3 889
	Current Year Payroll Deductions and Council Contributions	1 317 890	1 158 061
	Amount Paid - Current Year	(1 323 485)	(1 155 619)
	Balance Unpaid (Included in Creditors)	737	6 331
30.7	Councillor's Consumer Accounts in arrear older than 90 days		
	Cllr B Adams	122	-
	Cllr PJ Brandt	11	-
	Cllr M Pakade	835	-
	Cllr FE Snyders	1 578	2 074
	Cllr E Olyn	92	-
	Cllr L Kolo	67	-
		2 704	2 074
30.8	Non-Compliance with the Municipal Finance Management Act		
	Section 64(3) : Due to a lack of capacity in the collection department, National Treasury was not always timeously informed regarding outstanding amounts owed by organs of state with regards to municipal tax and services.		
30.9	Irregular, Unauthorised or Fruitless and Wasteful Expenditure		
30.9.1	<u>Irregular Expenditure</u>		
	Definition as per Municipal Finance Management Act: "irregular expenditure", in relation to a municipality or municipal entity, means— (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170; (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act; (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";		
	Irregular expenditure amounting to R 8,589,267 have been incurred during the year under review due to deviations from Council's Supply Chain Management Policy. These deviations have been tabled before council and have been subsequently condoned.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R																												
30.9.2	<p><u>Unauthorised</u></p> <p>Definition as per Municipal Finance Management Act: “unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes— (a) overspending of the total amount appropriated in the municipality’s approved budget; (b) overspending of the total amount appropriated for a vote in the approved budget; (c) expenditure from a vote unrelated to the department or functional area covered by the vote; (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose; (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or (f) a grant by the municipality otherwise than in accordance with this Act;</p> <table><tr><th><u>Vote / Department</u></th><th><u>Approved Expenditure Budget</u></th><th><u>Total Expenditure</u></th><th><u>Savings / (Unauthorised expenditure)</u></th></tr><tr><td>Municipal Manager</td><td>77 263 480</td><td>52 316 775</td><td>24 946 705</td></tr><tr><td>Corporate Services</td><td>19 311 210</td><td>17 062 590</td><td>2 248 620</td></tr><tr><td>Finance Services</td><td>34 737 999</td><td>29 829 680</td><td>4 908 319</td></tr><tr><td>Development Services</td><td>39 415 578</td><td>40 840 755</td><td>(1 425 177)</td></tr><tr><td>Technical Services</td><td>158 884 837</td><td>172 952 295</td><td>(14 067 458)</td></tr><tr><td></td><td><u>329 613 104</u></td><td><u>313 002 095</u></td><td><u>16 611 010</u></td></tr></table>	<u>Vote / Department</u>	<u>Approved Expenditure Budget</u>	<u>Total Expenditure</u>	<u>Savings / (Unauthorised expenditure)</u>	Municipal Manager	77 263 480	52 316 775	24 946 705	Corporate Services	19 311 210	17 062 590	2 248 620	Finance Services	34 737 999	29 829 680	4 908 319	Development Services	39 415 578	40 840 755	(1 425 177)	Technical Services	158 884 837	172 952 295	(14 067 458)		<u>329 613 104</u>	<u>313 002 095</u>	<u>16 611 010</u>		
<u>Vote / Department</u>	<u>Approved Expenditure Budget</u>	<u>Total Expenditure</u>	<u>Savings / (Unauthorised expenditure)</u>																												
Municipal Manager	77 263 480	52 316 775	24 946 705																												
Corporate Services	19 311 210	17 062 590	2 248 620																												
Finance Services	34 737 999	29 829 680	4 908 319																												
Development Services	39 415 578	40 840 755	(1 425 177)																												
Technical Services	158 884 837	172 952 295	(14 067 458)																												
	<u>329 613 104</u>	<u>313 002 095</u>	<u>16 611 010</u>																												
30.9.3	<p><u>Fruitless and Wasteful Expenditure</u></p> <p>Definition as per Municipal Finance Management Act: “fruitless and wasteful expenditure” means expenditure that was made in vain and would have been avoided had reasonable care been exercised;</p> <p>The following fruitless and wasteful expenditure have been incurred by the municipality for the year under review:</p> <table><tr><th><u>Institution</u></th><th><u>Reason</u></th><th><u>Amount</u></th></tr><tr><td>Eskom</td><td>Interest levied on account</td><td>10 233</td></tr><tr><td>Development Bank of South-Africa</td><td>Commitment fees - All loans not taken up as per agreement</td><td>247 202</td></tr><tr><td></td><td></td><td><u>257 435.54</u></td></tr></table>	<u>Institution</u>	<u>Reason</u>	<u>Amount</u>	Eskom	Interest levied on account	10 233	Development Bank of South-Africa	Commitment fees - All loans not taken up as per agreement	247 202			<u>257 435.54</u>																		
<u>Institution</u>	<u>Reason</u>	<u>Amount</u>																													
Eskom	Interest levied on account	10 233																													
Development Bank of South-Africa	Commitment fees - All loans not taken up as per agreement	247 202																													
		<u>257 435.54</u>																													
31	<p>RELATED PARTIES</p> <p>Related party relationships exist between the municipality and the following parties: Mayor, Speaker , Councillors, Municipal Manager and Section 57 Managers.</p>																														

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
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Related party transactions			
During the year the municipality rendered services to the following related parties that are related to the municipality as indicated			
30 June 2010	Rates	Services charges & Other levies	Total 30 June 2010
Services rendered to related parties:			
Councillors	19 849	56 378	76 228
Municipal Manager & Sect 57 appointments	17 360	40 245	57 605
	37 210	96 623	133 833
30 June 2009	Rates	Services charges & Other levies	Total 30 June 2009
Services rendered to related parties:			
Councillors	15 088	55 373	70 461
Municipal Manager & Sect 57 appointments	10 327	33 884	44 211
	25 415	89 257	114 672
The rates, service and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised. The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and section 57 personnel.			
Related party transactions			
The following business transactions were concluded with businesses where a councillor are a member or a director of the company.			
Company's Name	Councillor	Total 30 June 2010	Total 30 June 2009
Batho Pele Helpende Hand Begrafnisondernemers CC	B Adams	43 500	29 573
		43 500	29 573
The compensation of key management personnel is set out in Note 20.			
Related Party Loans			
Loans to senior management employees are no longer permitted since 1 July 2004			

32	CAPITAL COMMITMENTS		
Commitments in Respect of Capital Expenditure:			
Approved and Contracted for -			
Infrastructure		18 814 025	3 323 507
Community		12 471 752	2 790 982
Other		6 342 274	532 525
			-
Approved but not yet Contracted for -			
Infrastructure		53 813 993	72 079 755
Community		19 419 593	62 305 033
Other		1 360 000	5 190 782
		33 034 400	4 583 940
Total		72 628 018	75 403 262

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
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	<i>This expenditure will be financed from:</i>		
	External Loans	33 173 252	48 869 181
	Government Grants	32 510 433	15 685 834
	Own Resources	6 944 333	10 848 247
		<u>72 628 018</u>	<u>75 403 262</u>
	<i>The Funding to finance the capital commitment are secured.</i>		

33	RETIREMENT BENEFIT INFORMATION		
	All councillors and employees belong to retirement and pension funds approved by the South African Local Government Bargaining Council. These funds are subject to regular actuarial valuation. These funds are run by their own Board of Directors and each fund have their own rules, compliant to legislation, that they must adhere to.		

34	CONTINGENT LIABILITY		
	//Khara Hais Municipality / SAD	<u>149 425 000</u>	<u>-</u>
	<i>Claim by SAD for damages incurred during a fire.</i>		
	//Khara Hais Municipality / Veldskoen	<u>15 000</u>	<u>-</u>
	<i>Eviction of Mr. Veldskoen.</i>		
	//Khara Hais Municipality / Long Homes (Pty) Ltd	<u>475 000</u>	<u>277 020</u>
	<i>Claim for loss of revenue. Possible settlement</i>		
	//Khara Hais Municipality / JF Bredenhend	<u>100 000</u>	<u>-</u>
	//Khara Hais Municipality / SA Local Authorities Pension Fund	<u>1 227 942</u>	<u>-</u>
	<i>Claim for amounts not paid to SALA Pension Fund</i>		
	//Khara Hais Municipality / Holtzhausen Familie Trust	<u>40 100</u>	<u>-</u>
	<i>Claims for damages to property</i>		
	Claim from JHJ Van Niekerk	<u>28 030</u>	<u>28 030</u>
	<i>Claim for burns to Mr Van Niekerk's son at Eiland Resort</i>		
	//Khara Hais Municipality / Multiminds 110 BK & 2 Ander	<u>-</u>	<u>1 200 000</u>
	<i>//Khara Hais Municipality won the claim with costs</i>		
	//Khara Hais Municipality / Tauris Garden Trading 500 CC	<u>7 554 163</u>	<u>-</u>
	<i>Tender awarded to Tauris Garden Trading 500 CC. Applicant could not comply with tender conditions, and tender was cancelled.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R
35	COMPARISON WITH THE BUDGET The municipality's actual financial performance compared with the approved budgeted is set out in Annexures E(1) and E(2).		
36	FINANCIAL RISK MANAGEMENT The activities of the municipality expose it to a variety of financial risks, including market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
36.1	Foreign Exchange Currency Risk The municipality does not engage in foreign currency transactions.		
36.2	Interest Rate Risk The municipality is mainly exposed to interest rate risk due to the movements in long-term and short-term interest rates. The risk is managed on an ongoing basis.		
36.3	Credit Risk Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial losses. Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors. For banks and financial institutions, only independently rated parties with a minimum rating of "B+" are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services customers but in practice this is sometimes difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.		
36.4	Liquidity Risk Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.		
37	EVENTS AFTER REPORTING DATE <i>CASH AND CASH EQUIVALENTS</i> Property, plant and equipment (new vehicles) amounting to R 9,023,547.36 was bought during the 2009/2010 financial year through own funds. This amount will be re-financed through an external loan to be taken up in September 2010.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2010

Note	Description	2010 R	2009 R

//KHARA HAIS MUNICIPALITY

APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

External Loans	Loan Number	Redeemable	Loan term	Interest Rate (Fixed)	Balance at 30/06/2009	Received During the Period	Interest Levied	Redeemed During the Period	Balance at 30/06/2010	Carrying Value of Property, Plant & Equip	Other Costs in Accordance With the MFMA
					R	R		R	R	R	R
Annuity Loans											
Development Bank of SA	exl 1	31/03/2021	20 years	16.50%	9 365 230	-	1 530 958	(1 907 613)	8 988 575	6 950 348	-
Development Bank of SA	exl 2	31/03/2015	20 years	12.00%	1 264 911	-	140 182	(294 727)	1 110 366	-	-
Development Bank of SA	GA2036	31/12/2012	7 years	12.98%	1 286 784	-	162 750	(299 218)	1 150 316	1 381 070	-
Development Bank of SA	GA2037	31/12/2028	20 years	12.59%	15 190 879	1 383 740	1 965 034	(2 119 474)	16 420 179	22 444 696	-
Development Bank of SA	GA2038	31/12/2023	15 years	6.75%	21 918 516	3 320 053	1 547 038	(2 151 237)	24 634 370	24 627 087	-
ABSA Bank	6309/6496	31/08/2015	10 years	10.04%	2 202 735	-	213 043	(478 934)	1 936 844	674 939	-
ABSA Bank	6353/0507	02/11/2015	10 years	10.07%	1 527 852	-	145 991	(319 718)	1 354 126	674 939	-
ABSA Bank	6396/1623	31/12/2015	10 years	10.12%	3 745 859	-	372 947	(800 664)	3 318 142	674 939	-
ABSA Bank	6447/8475	29/02/2016	10 years	10.17%	3 888 892	-	383 907	(802 957)	3 469 842	674 939	-
TOTAL EXTERNAL LOANS					60 391 659	4 703 793	6 461 850	(9 174 542)	62 382 760	58 102 959	-

//KHARA HAIS MUNICIPALITY

APPENDIX B: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2010

	Cost / Revaluation					Accumulated Depreciation					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<u>Land and Buildings</u>												
Municipal Buildings	34 275 141	547 201	-	-	34 822 342	-30 603 486	-145 636	-	-	-30 749 122	4 073 219	1 004 176
Land and Buildings	587 819	-	-	-	587 819	-51 525	-	-	-	-51 525	536 293	3 200 000
	34 862 960	547 201	-	-	35 410 160	-30 655 012	-145 636	-	-	-30 800 648	4 609 513	4 204 176
<u>Infrastructure</u>												
Drains	947 629	-	-	-	947 629	-170 390	-47 381	-	-	-217 771	729 858	-
Roads	55 363 087	1 286 110	-6 138	-	56 643 059	-44 911 891	-1 182 543	-	-	-46 094 434	10 548 625	2 178 574
Sewerage Mains & Purification	35 897 579	5 758 623	-	-	41 656 203	-18 944 782	-1 101 264	-	-	-20 046 046	21 610 157	9 250 000
Electricity Mains	82 930 663	4 344 813	-162 881	-	87 112 595	-36 046 217	-2 570 126	-	-	-38 616 342	48 496 252	7 679 344
Electricity Peak Control Equipment	165 576	-	-	-	165 576	-33 456	-8 279	-	-	-41 734	123 842	-
Water Mains & Purification	57 916 888	423 108	162 881	-	58 502 877	-23 411 789	-2 125 235	-	-	-25 537 023	32 965 854	250 000
Reservoirs Water	13 235 245	116 295	-	-	13 351 540	-5 999 613	-401 578	-	-	-6 401 192	6 950 348	200 000
Water Meters	3 713 372	258 117	-	-	3 971 488	-902 000	-251 359	-	-	-1 153 359	2 818 129	300 000
Pedestrian Facilities	13 108 444	77 547	-	-	13 185 991	-1 423 706	-659 409	-	-	-2 083 114	11 102 877	-
Security Measures	2 389 378	1 091 049	-	-1	3 480 425	-1 693 255	-600 423	-	-	-2 293 678	1 186 747	772 571
	265 667 860	13 355 662	-6 138	-1	279 017 383	-133 537 097	-8 947 597	-	-	-142 484 694	136 532 690	20 630 489
<u>Community assets</u>												
Parks & Gardens	1 182 655	262 069	1 599	-	1 446 323	-159 399	-48 074	-	-	-207 474	1 238 849	50 000
Libraries	4 919 083	-	-	-	4 919 083	-4 789 218	-4 639	-	-	-4 793 857	125 225	-
Recreation Grounds	21 995 171	45 311	-	-	22 040 482	-19 664 768	-113 254	-	-	-19 778 022	2 262 460	50 000
Civic Buildings	32 481 274	514 012	-	-	32 995 286	-29 401 904	-133 482	-	-	-29 535 386	3 459 900	2 376 518
Clinics	3 217 400	-	-	-	3 217 400	-3 217 394	-6	-	-	-3 217 400	-	-
Cemeteries	7 022 919	12 017	-	-	7 034 936	-6 881 187	-9 841	-	-	-6 891 027	143 909	170 000
Other	2 881 676	-	-	-	2 881 676	-2 769 160	-11 337	-	-	-2 780 497	101 179	-
Old Age Homes	576 256	-	-	-	576 256	-	-19 208	-	-	-19 208	557 047	-
	74 276 434	833 409	1 599	-	75 111 441	-66 883 031	-339 841	-	-	-67 222 872	7 888 570	2 646 518
<u>Heritage Assets</u>												
Historical Buildings	1 969 482	-	-	-	1 969 482	-1 954 475	-584	-	-	-1 955 059	14 423	-
Paintings & Art Galleries	258 677	-	-	-	258 677	-11 119	-	-	-	-11 119	247 558	-
	2 228 158	-	-	-	2 228 158	-1 965 594	-584	-	-	-1 966 178	261 981	-
<u>Housing Rental Stock</u>												
Housing Schemes	8 442 941	-	-	-	8 442 941	-7 134 749	-50 107	-	-	-7 184 855	1 258 086	-
	8 442 941	-	-	-	8 442 941	-7 134 749	-50 107	-	-	-7 184 855	1 258 086	-
<u>Other Assets</u>												
Landfill Sites	1 029 340	-	-	-	1 029 340	-222 672	-28 701	-	-	-251 373	777 967	-
Office Equipment	2 632 270	790 646	-	-	3 422 917	-2 229 159	-332 931	-	-	-2 562 091	860 826	1 127 511
Furniture & Fittings	3 706 525	749 142	-	-	4 455 667	-2 752 733	-414 960	-	-	-3 167 693	1 287 974	993 220
Bins & Containers	250 206	-	-	-	250 206	-100 705	-46 277	-	-	-146 982	103 224	-
Emergency Equipment	543 469	-	-	-	543 469	-394 703	-50 958	-	-	-445 662	97 807	-
Motor Vehicles	23 230 120	5 529 436	-	-	28 759 556	-18 108 761	-2 869 148	-	-	-20 977 908	7 781 648	5 529 439
Fire Engines	987 790	1 024 463	-	-	2 012 253	-259 010	-50 653	-	-	-309 662	1 702 591	2 048 925
Other Transport	72 264	-	-	-	72 264	-72 261	-	-	-	-72 261	3	-
Computer Equipment	8 285 693	649 749	-	-	8 935 442	-7 092 895	-811 630	-	-	-7 904 525	1 030 917	1 232 182
Plant & Equipment	18 615 674	4 696 426	-	-	23 312 100	-12 169 870	-1 682 214	-	-	-13 852 084	9 460 016	33 919 812
	59 353 352	13 439 861	-	-	72 793 213	-43 402 769	-6 287 472	-	-	-49 690 241	23 102 972	44 851 089
<u>Inventory Items</u>												
Small Assets	35 652	7 753	-	-	43 404	-25 106	-10 173	-	-	-35 279	8 125	11 216
	35 652	7 753	-	-	43 404	-25 106	-10 173	-	-	-35 279	8 125	11 216
GRAND TOTAL	444 867 356	28 183 886	-4 539	-1	473 046 702	-283 603 357	-15 781 409	-	-	-299 384 766	173 661 935	72 343 488

//KHARA HAIS MUNICIPALITY

APPENDIX C: SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2010

	Cost / Revaluation					Accumulated Depreciation					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Executive & Council	328 533	496 317	-6 138	-	818 712	-187 577	-79 778	-	-	-267 355	551 357	333 315
Finance & Admin	214 074 897	11 616 793	1 599	-1	225 693 288	-197 051 601	-5 129 267	-	-	-202 180 868	23 512 420	20 405 849
Planning & Development	887 470	205 512	-	-	1 092 982	-653 888	-108 909	-	-	-762 796	330 186	947 145
Health	656 147	82 256	-	-	738 403	-628 005	-17 228	-	-	-645 233	93 170	90 000
Community & Social	1 353 042	249 607	-	-	1 602 648	-435 166	-118 460	-	-	-553 626	1 049 022	422 448
Housing	124 282	-	-	-	124 282	-73 812	-27 104	-	-	-100 916	23 366	-
Public Safety	5 234 320	129 447	-	-	5 363 767	-2 998 490	-387 170	-	-	-3 385 660	1 978 106	675 498
Sport & Recreation	7 584 914	2 092 631	-	-	9 677 545	-2 463 992	-683 482	-	-	-3 147 474	6 530 071	2 236 954
Environmental Services	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	24 018 260	2 449 089	-	-	26 467 349	-4 545 484	-1 390 799	-	-	-5 936 283	20 531 067	5 484 478
Roads	25 924 096	1 010 179	-	-	26 934 276	-5 684 776	-2 120 794	-	-	-7 805 571	19 128 705	16 733 739
Water	53 006 889	4 571 225	162 881	-	57 740 995	-8 432 153	-2 826 986	-	-	-11 259 139	46 481 856	6 805 894
Electricity	110 667 349	5 269 951	-162 881	-	115 774 419	-59 534 045	-2 837 004	-	-	-62 371 049	53 403 370	18 197 290
Other	1 007 157	10 877	-	-	1 018 035	-914 368	-54 428	-	-	-968 796	49 239	10 878
TOTAL	444 867 356	28 183 886	-4 539	-1	473 046 702	-283 603 357	-15 781 409	-	-	-299 384 766	173 661 935	72 343 488

//KHARA HAIS MUNICIPALITY

APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
31 709 533	15 589 452	16 120 081	Executive & Council	42 442 026	16 477 397	25 964 629
76 779 249	77 377 975	-598 726	Finance & Admin	83 107 452	83 519 192	-411 741
2 272 705	7 649 155	-5 376 450	Planning & Development	2 269 967	7 409 929	-5 139 962
6 103 955	3 004 402	3 099 553	Health	1 125 993	3 510 094	-2 384 100
544 278	2 898 685	-2 354 407	Community & Social	1 328 427	2 975 626	-1 647 198
5 231 989	5 779 238	-547 250	Housing	34 224 758	33 909 287	315 472
6 262 859	11 545 340	-5 282 481	Public Safety	5 780 298	13 187 468	-7 407 171
5 068 352	18 336 316	-13 267 964	Sport & Recreation	5 721 158	20 292 240	-14 571 081
0	0	0	Environmental Services	0	0	0
28 117 559	30 621 675	-2 504 116	Waste Management	31 621 229	38 620 511	-6 999 282
219 272	10 418 635	-10 199 364	Road Transport	421 432	10 452 226	-10 030 794
30 872 572	22 610 108	8 262 464	Water	34 402 639	27 573 770	6 828 870
84 596 450	64 741 633	19 854 817	Electricity	108 679 058	83 784 230	24 894 829
174 603	1 360 463	-1 185 860	Other	136 094	1 314 431	-1 178 337
277 953 376	271 933 078	6 020 298	TOTAL	351 260 534	343 026 400	8 234 134